

February 15, 2023

Subject : Yearly Management Discussion and Analysis of 2022
Attention : President of The Stock Exchange of Thailand

We attach herewith the financial statements of Global Connections Public Co., Ltd. (GC) for the year-ended 31 December 2022 which had been audited by the Independent Auditor and would like to clarify more details on the Yearly Management Discussion and Analysis as follows :

FINANCIAL SUMMARY

	31.12.20	31.12.21	31.12.22
FINANCIAL POSITION (MILLION BAHT)			
Current Assets	1,192	1,558	1,594
Total Assets	1,453	1,808	1,836
Current Liabilities	918	1,244	1,248
Total Liabilities	932	1,258	1,261
Shareholder's Equity	522	550	575
OPERATING RESULT (MILLION BAHT)			
Sales Revenue	3,597	4,989	5,522
Gross Profit	306	378	358
Operating Profit	176	244	216
Profit for the period	136	189	163
Other comprehensive income	0	(1)	0
Total comprehensive income for the period	136	188	163
FINANCIAL RATIOS			
Return on Assets (%)	10.31	11.60	8.97
Return on Equity (%)	27.22	35.30	29.04
Net Profit Margin (%)	3.78	3.79	2.96
Current Ratio (Times)	1.30	1.25	1.28
Debt to Equity Ratio (Times)	1.79	2.29	2.19
*Book Value per Share (Baht)	1.19	1.25	1.31
*Net Profit per Share (Baht)	0.31	0.43	0.37

*Remark : Calculated by adjusting the number of ordinary shares to reflect the effect of the change in par value and issuing stock dividends. According to the resolution of the shareholders' meeting on April 1, 2022, totaling 440 million shares has occurred since the beginning of the first reported period.

Yearly Management Discussion and Analysis

Analysis of Overall Performance

The distribution business of the plastic resins, plastic, and petrochemical related products needs relatively high working capital. The key success factors of this business depend on the inventory management, the logistic systems that meet the clients' needs in time, cost of capital, receivables management and sales revenue. Due to this business has low gross profit margin, to build up more sales revenue will result in good net profit.

Sales revenue

The Company had total sales revenue of 5,521.7 million baht in 2022, increased 532.9 million baht from 4,988.8 million baht of 2021 or equivalent to 10.68%. This was due to the rise in demand from plastic packaging and petrochemical industry during Q1/2022 and Q2/2022 as well as the higher of average selling price in 2022. However, the total sales volume of 2022 was decreased by 1.19% compared to those of 2021 due to the shrinking in purchasing power during Q3/2022 and Q4/2022.

Financial Operating Results

In 2022, total cost of sales and operating expenses were 5,316.0 million baht, increased by 559.6 million baht from 4,756.4 million bath of 2021 or equivalent to 11.77%. Our major expense was costs of goods sold, an increase of 552.7 million baht from 4,611.0 million baht of 2021 to be 5,163.7 million bath in 2022 or 11.99% increased from last year's which was higher than sales increasing rate reflecting from the lower gross profit margin of 2022.

The gross profit in 2022 was decreased from 377.8 million baht to be 357.9 million baht or equivalent to 5.26% resulting from the decline in gross profit margin from 8.00% in 2021 to be 6.86%. This was due to the shrinking in purchasing power from slowdown economy during Q3-Q4/2022 which caused a severe price war.

Total selling and administrative expenses increased by 6.9 million baht from 145.4 million baht in 2021 to be 152.3 million baht, or 4.74%. This was derived from the increase in provision for obsolete goods of 5.0 million baht whereas there was a reversal of 1.0 million baht in 2021.

The interest expenses in 2022 was 12.1 million baht, or 54.70% increased from Baht 7.8 million of 2021. This was due to the increase in short-term loan as well as the upward trend of interest rate in 2022.

As a result of the discussed factors, our profit for the year 2022 was 163.3 million baht versus 189.1 million baht in 2021 or equivalent to 13.62% decreased.

Comparison of Financial Position (FY31.12.2022 VS 31.12.2021)

Assets: As of 31 December 2022, GC recorded total assets of 1,836 million baht, representing an increase of 28 million baht from 1,808 million baht of 31 December 2021 or equivalent to 1.54% increased. The assets with major changed were as follows :

As of 31 December 2022 total current assets showed 1,594 million baht, an increase of 36 million baht or 2.28% from year-end 2021's. This was mainly due to the increase in inventory. The inventory was increased by 73 million baht from 651 million baht in year-end 2021 to be 724 million baht of ending 2022, or 11.19% increased resulting from higher purchasing volume as well as the higher average cost.

While the trade accounts receivable showed 813 million baht as of 31 December 2022, a decrease of 53 million baht from 866 million baht of ending 2021 or 6.08% decreased resulting from the lower sales value during Q3-Q4/2022.

Liabilities: As of 31 December 2022, GC recorded total liabilities of 1,261 million baht, an increase of 3 million baht or 0.20% from the previous year-end. The major liabilities were short-term loans from financial institutions and trade accounts payable. The ending 2021 balance of short-term loan was 872 million baht versus 979 million baht as of 2022 or equivalent to 12.32% increased resulting from the higher inventory. The trade accounts payable as of 2022 was 222 million baht, a decrease of 98 million baht from 320 million baht of ending 2021 or 30.73% decreased. As a result, the Debts to Equity Ratio as of 2022 was 2.19 times compared to 2.29 times of ending 2021.

Sources of Funds: The structure of GC's funds in 2022 was not much different from those of 2021 as they were in term of short-term liabilities. The major liabilities were short-term loans from financial institutions, bank overdrafts, and trade accounts payable.

Shareholders' Equity: As of 31 December 2022, the portion of shareholders' equity amounted to 575 million baht, an increase of 25 million baht, or 4.61% from those of previous year-end, derived from profit for the year 2022 of 163 million baht deducted dividend paid out of 138 million baht.

Liquidity: As of 31 December 2022 GC had a current ratio at 1.28 times compared to 1.25 times of ending 2021, which was due to the decreased in trade accounts payable.

Yours truly,

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(Somchai Kulimakin)

Chairman of The Executive Committee